

Message Text

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USDOC PLEASE PASS CAGNE: MAJOR PROJECTS AND TENNEY

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SUBJECT : MAJOR PROJECT DUBAI: MORE ON JEBEL ALI

REF: (A) ABU DHABI 2122, (B) ABU DHABI 2873

SUMMARY: THE GOVERNMENT OF DUBAI IS SEEKING FINANCING FOR
A NUMBER OF MAJOR PLANTS TO BE BUILT IN THE JEBEL ALI
INDUSTRIAL AREA. END SUMMARY.

1. IN ADDITION TO MAJOR CIVIL WORKS PLANNED FOR THE JEBEL
ALI COMPLEX (REFTELS), AN ALUMINUM SMELTER, A STEEL
SMELTER, A POWER PLANT, AND A DESALINIZATION PLANT
ARE PLANNED. MORE POWER FOR DUBAI AND SOME POWER FOR
THE JEBEL ALI COMPLEX IS TO BE SUPPLIED BY THREE

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SIXTY-EIGHT MEGAWATT MITSUBISHI STEAM GENERATORS. AT

THE SAME SITE, MITSUBISHI WILL ALSO BUILD A DESALINATION PLANT WITH A CAPACITY OF 13,000 CUBIC METERS OF FRESH WATER PER DAY.

2. SEVERAL BANK OFFICERS HAVE CONFIRMED IN CONFIDENCE THAT MITSUBISHI IS CURRENTLY NEGOTIATING LOCALLY TO SECURE LOCAL (DIRHAM) FINANCING FOR THE BIG THERMAL POWER AND DESALINIZATION PLANTS. (NO JAPANESE BANKS OPERATE IN THE EMIRATES.) THE WORK WILL BE DONE BY A CONSORTIUM OF FOUR JAPANESE FIRMS: MITSUBISHI HEAVY INDUSTRIES, MITSUBISHI ELECTRIC, SHUMIZU, AND SUMITOMO (THE DESALINIZATION PLANT).

3. ACCORDING TO RELIABLE SOURCES, SHAIKH RASHID HAS APPROVED A PROPOSED FINANCING PACKAGE FOR TWO OTHER MAJOR JEBEL ALI PROJECTS FOR WHICH CONTRACTS HAVE ALREADY BEEN LET: A \$500-MILLION ALUMINUM SMELTER AND A \$200-MILLION LPG SYSTEM. THE FINANCING WILL BE BROKEN INTO THREE PARTS:

--FIRST, LLOYDS BANK IS COMMITTED TO SYNDICATING A 180 MILLION POUND STERLING LOAN FOR DUBAI, THE EIGHTY PERCENT GOVERNMENT OWNED DUBAI ALUMINUM COMPANY, INSURED BY THE UK'S EXPORT CREDITS GUARANTEE DEPARTMENT TO PURCHASE EQUIPMENT FROM THE UK, INCLUDING A TURBINE POWER/DESALINIZATION PLAN WHICH CAN OPERATE ON BOTH GAS AND CRUDE OIL.

-- SECOND, A DOLLAR LOAN IS BEING SOUGHT TO BENEFIT DUGAS (OF WHICH THE GOVERNMENT OF DUBAI IS ALSO A MAJORITY SHAREHOLDER) TO PURCHASE EQUIPMENT FROM THE UNITED STATES ACCORDING TO LOCAL BUSINESSMAN ASSOICATE, THE DUBAI GOVERNMENT HOPES FOR EXIMBANK ASSISTANCE.

-- THIRD, THERE WILL BE A EURO-DOLLAR LOAN MANAGED BY MORGAN GREFELL WHOSE PROCEEDS ARE TO BE SHARED BY DUBAL AND DUGAS FOR LOCAL EXPENDITURES. AN INFORMED LOCAL SOURCE AND CHASE MANHATTAN'S MIDEAST MARKETS (SEPTEMBER 27) CONFIRM THAT THIS LOAN MAY REACH \$250 MILLION.

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4. THE ALUMINUM SMELTER IS BEING SUPPLIED WITH A TURBINE POWER PLAN WHICH CAN BURN BOTH CRUDE AND NATURAL GAS BECAUSE "A REAL DOUBT EXISTS" THAT THERE IS ENOUGH GAS ASSOCIATED WITH THE CRUDE PRODUCED IN DUBAI'S OFFSHORE FIELDS TO POWER THE PLANT, ACCORDING TO THE PROJECT MANAGER. BRITISH SMELTERS, UNDER WHOSE AEGIS THE SMELTER IS TO BE BUILT, HAS BEEN INSTRUCTED TO INCLUDE A DESALINIZATION UNIT WITH A CAPACITY OF

30 MILLION GALLONS OF FRESH WATER PER DAY IN THE DESIGN OF THE SMELTER'S 400 MEGAWATT POWER PLANT. SINCE THE ALUMINUM PLANT WILL NEED ABOUT FIVE HUNDRED THOUSAND GALLONS PER DAY, THE EXCESS MIGHT WELL BE USED TO HELP PROVIDE WATER FOR THE CITY WHICH IS TO BE BUILT TO HOUSE THE WORKERS (INCLUDING EUROPEAN AND AMERICAN EXPATRIATES) IN THE JEBEL ALI COMPLEX (REF. B).

5. THE ALUMINUM SMELTER HAS BEEN DESIGNED BY KENNEDY AND DUNCAN, A BRITISH FIRM. A SWISS FIRM, "M AND F ENGINEERING", WILL SUPERVISE THE SMELTER'S CONSTRUCTION. (MIDEAST MARKETS MENTIONED THAT A "SIXTY MILLION DOLLAR PLUS" CONTRACT FOR THE CONSTRUCTION OF THE "MAIN FACETS" OF THE ALUMINUM SMELTER POWER PLANT HAS BEEN AWARDED.) WHETHER THE CONSTRUCTION OF THE SMELTER ITSELF WILL BE PUT OUT TO TENDER IS UNCERTAIN. DUBAI GOVERNMENT PROJECTS ARE GENERALLY AWARDED BY NEGOTIATION.

6. ACCORDING TO AN INFORMED PARTICIPANT, THE "FERRESTAL" (GERMAN) PELLETIZED STEEL GAS REDUCTION PLANT IS STILL PLANNED BUT IS "TREADING WATER" BECAUSE, UNLIKE THE ALUMINUM PLANT, THE GERMAN STEEL PLANT WILL BE UNABLE TO OPERATE WITHOUT AN ASSURED SUPPLY OF CLEAN, CHEAP NATURAL GAS. OFFICIALS INVOLVED IN THE ALUMINUM PROJECT ASSERT THAT THE ALUMINUM PLANT HAS BEEN GUARANTEED ITS POWER BY THE DUBAI GOVERNMENT AT A FIXED PRICE BELOW THAT OF THE WORLD MARKET. NEVERTHELESS, TWO SENIOR OFFICERS OF NATIONAL SOUTHWIRE ALUMINUM TRAVELED TO DUBAI TO ATTEMPT TO ASSESS THE RELIABILITY OF THE GOVERNMENT'S GUARANTEE. DUBAI'S GUARANTEE IS TO BE MET BY THE PROVISION OF EITHER NATURAL GAS OR CRUDE OIL BY THE GOVERNMENT OF DUBAI. SINCE PROVIDING CRUDE OIL WOULD BE MUCH MORE EXPENSIVE LIMITED OFFICIAL USE

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THAN PROVIDING NATURAL GAS, SHOULD GAS SUPPLIES PROVE TO BE INADEQUATE, ALL ALUMINUM PRODUCTION MIGHT HAVE TO BE HEAVILY SUBSIDIZED. IN THAT CASE, THE ALUMINUM SMELTER MIGHT LOSE MUCH OF ITS ATTRACTIVENESS TO THE GOVERNMENT OF DUBAI.
DICKMAN

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